

City of Berlin, NH

Mayor's Office

January 1, 2014



The temporary shutdown of Gorham Paper and Tissue a few weeks back should serve as an important reminder to those of us in New Hampshire of the tenuous condition of our current energy market, and the need to increase and diversify our fuel mix in the region.

In mid-December, approximately 100 Gorham Paper and Tissue employees were temporarily laid off due to spikes in the cost of natural gas that is supplied to the plant. Units of natural gas that are usually available in the \$7 range jumped to as high as \$33 making operation of the mill uneconomic. A business critical to our local economy was the victim of our fragile regional energy market.

Unfortunately, this is just one close to home consequence of the major problems facing our region's energy market. During this same time, electricity prices in the real-time power market skyrocketed to as much as \$1,000, compared to an average of approximately \$36 in 2012. ISO-New England, the regional electric regulator, also declared a so-called OP4, which means that electricity supplies were insufficient to meet the anticipated electricity needs plus reserve requirements. In an energy market that many people like to refer to as competitive, the government regulator took steps to declare that all power plants must operate out of real concern that we would face a power shortage.

On Christmas Eve ISO- New England also suspended two electric supply companies, People's Power and Gas and Easy Energy of Massachusetts. A delayed impact of the markets price instability. A suspension by the ISO usually means that a supplier is not able to fulfill their customers demand for power, and approximately 5,700 NH customers were immediately switched to PSNH without loss of service.

What is most troubling for those of us that have lived through a few too many New Hampshire winters is that all of this market turmoil took place before the official winter season began and after a few days of 20 degree temperatures. We all know that the harshest winter conditions likely still lay in front of us, and it is concerning to think of the potential consequences that could confront us in the depths of winter.

Fortunately, many of us are protected from the immediate impacts of these price spikes. Our monthly bill doesn't increase seven times the average because of long-term contracts that stabilize prices and PSNH owned generation plants. However, these costs will catch up to all of us in the months ahead, and the price we pay for power and other items we need will increase as power plants, utilities and all manufacturers recoup these costs.

While we have been warned of these perilous energy market conditions for the past three or four years, elected officials have largely ignored the warnings. Instead of working the past few years to ensure that our energy markets supplied abundant, low cost power, our elected officials seemed to be more concerned with creating policies that pick winners and losers in the market and creating barriers to new energy supplies.

Unfortunately, many New Hampshire elected officials seem to be the leaders of this short term, risky approach to energy policy. Even now, when other New England states are looking at innovative approaches to increase energy supplies, some New Hampshire elected officials are more focused on creating hurdles to new energy, pushing new mandates on energy development and denying the difficult realities that confront our region's energy market. Energy remains the foundation of our state's economy. Our ability to access abundant, low cost energy will largely dictate the strength of our state's economy for the next decade.

Manufacturing, transportation, jobs, home ownership and many other basic needs are all greatly impacted by energy costs. It is critical that New Hampshire and New England accept the challenges in front of us, move in a new direction, and begin the hard work of addressing the problems that confront our state and regional energy market.

Paul Grenier
Mayor